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39TH ANNUAL GENERAL MEETING HELD ON 30TH APRIL 2022

CHAIRPERSON REPORT

Officials from the Ministry of Industrialization and Enterprise Development, fellow board Members, ladies and gentlemen, Good morning.

I am delighted to welcome all of you to the SACCO AGM for year, 2021. I would like to begin by thanking the Almighty God who has protected us throughout the unprecedented year 2020 & 2021 and enabled the Sacco to continue being in business to support its members. This Annual General Meeting is being held physically after the mandatory COVID-19 restrictions were lifted by the Ministry of Health. As you are all aware, the pandemic caused a lot of disruption, human suffering, including deaths and closure of businesses. There are institutions that are still operating below the optimum capacity while others closed shop. As a SACCO, we lost a few members (withdrawal from the SACCO), faced challenges in creation of new business, Upsurge in non-performing loans, slow recruitment of new members, among others. However, all is not lost. The Board and Management came up with strategies that assisted the SACCO to remain afloat and members to continue serving their loans.

We remain cognisant of the challenges our members are facing because of COVID-19 Pandemic. The SACCO pledges to continue supporting our members through the turbulent times.

I. REVIEW OF THE ECONOMY.

According to the Economic Review report for year 2021 activity in the industry and services sectors picked up following the easing of the COVID-19 restrictions. The Economy grew by an average of 7.8% in the first three quarters of year, 2021 compared to decline of 0.8% in a similar period in year, 2020. The Agricultural Sector declined by 0.8% compared to a growth of 4.5% in the same period of year, 2020.

The GDP growth at 9.9% was recorded in the 3rd quarter of 2021 compared to the contraction of 2.1% in similar period of 2020. Overall inflation declined to 6.0% in the 4th quarter of the year, 2021 from 6.7% in the 3rd quarter of the same year, 2021. Food inflation declined due to improved weather conditions. Fuel inflation was high but declined marginally owing to government interventions to stabilize pump prices. According to the IMF, world economic growth outlook is estimated to moderate to 4.4% in year, 2022 from 5.9% in year 2021, largely due to lower economic activity in the developed economies of the USA and China

II. PERFORMANCE

Despite the state of the Kenyan economy, the performance of the SACCO during the year under review was positive, as shown hereunder:

1. Revenue

The SACCO realized gross revenue of Kshs. 21.6m compared to Kshs. 19.4m in the year, 2020, a growth of 11.3%. The major contributor to this growth was interest on loans and advances to members that stood at 195.7 m at the end of the year, 2021. This growth was within the SACCO's business plan and SP 2021-2025 projection.

2. Share Capital.

The Share Capital grew to Kshs. 19.2m up from Kshs. 18.8m, a growth of 2.11%. This growth is attributed to update of existing and new members contribution. *I therefore take this opportunity to encourage the members to capitalise their dividends for the year 2021 and those who have not met their minimum share capital threshold strive to do so.* As you are aware, the benefits of capitalization include building a strong financial foundation of the SACCO and members benefit from favourable dividends pay out.

3. Deposits and Savings.

During the year under review, the Deposits/Savings grew to Kshs. 155.8m up from Kshs. 152.8m in the year, 2020, a growth of 1.09%. Despite the difficult economic period, our members continue to demonstrate a high level of commitment confidence and patronage of our products as attested to by the growth of Deposits and Savings in the SACCO. I take this opportunity to encourage all our members to increase their individual monthly deposits and take advantage of high interest on Akiba Savings so as

to benefit from savings build up in order to qualify for higher loans and to enjoy good returns from interest and rebates.

4. Payment of Dividends and Interest Rebates.

Following this performance, the Board recommends the payment of Dividend on share capital and Interest on member deposit at the rates of 7 % and 6% respectively to registered members as at 31st December, 2021. It should be noted that dividends will be paid out to members from 1 September 2022. This is a result of cashflow constrain the Sacco is experiencing today. Members whose account are dormant will not benefit from cash payment of dividends and interest but to be capitalized. This will also apply to any accounts in arrears or non-performing.

5. a) Loans and Advances to Members

During the year under review, the SACCO adjudicated and disbursed loans to members totalling to Kshs. 39.1m compared to Kshs.34.6m in the year, 2020, a growth of 13%. The loan book at the end of year was Kshs. 195.million.

I trust that members directed the same loans to intended projects/programmes and are enjoying the returns of their investments.

b) Loan Aging Analysis

The loan portfolio analysis in the SACCO indicated an amount of Kshs.18.8million being the portfolio at risk. The Board and Management have put in place enhanced mechanism to collect the same from defaulters through attachment of guarantors, sale of collaterals pledged to the SACCO as securities and to deny such members opportunity to access new loans. Arising from the above challenge, the SACCO made a provision of Kshs 400,000 in the year under review to comply with the IFRS-9 and the regulatory requirements. We have put in place strategies to contain and minimize the growth of the portfolio at risk. I hope that these measures will bring down the current levels to below 10%. It should be noted that the industry best practice is 5%. The portfolio at risk has been partly exacerbated by institutions and members that were adversely affected by the outbreak of COVID-19 pandemic while others are outright cases of default.

III) MILESTONES AND PROGRAMME ACTIVITIES IN THE YEAR, 2021

a) Strategic Plan 2022-2026

The Board and Management reviewed and developed a Strategic Plan 2022-2026 that became operational this year, 2022. In the same strategic plan is a new Vision and Mission that redefines our business direction and operational goal. We identified six strategic themes which include the following:

- i. Membership Growth
- ii. Quality products and Service
- iii. Credit Management
- iv. Financial performance
- v. Infrastructure and operations
- vi. Governance & Human Resources

b) Sasra Registration

The Sacco is in final stages of registering with Sasra as one of the NDT- Saccos as per the new regulations.

IV) CHALLENGES AND WAY FORWARD

a) Membership Growth

Membership in any SACCO is critical to its growth and stability. The main source of our members remains the public, private sectors and SMEs. Due to a high number of retirees from the public service, we continue to register increased cases of withdrawals arising from the challenge of accessing the pension dues. I wish to take this opportunity to appeal to all members and leaders to intensify recruitment of new members.

b) Delayed Remittances

A few employers and individual members continue to delay in making their remittances to the SACCO resulting to loan delinquency the implication being Cashflow constraints and growth of loan portfolio at risk. We have put in place mechanisms to follow up all due and overdue accounts and hope to collect the same. The SACCO is using its secretariat to pursue defaulters including institutions that delay while difficult cases are referred to the Debt Collectors and Auctioneers for follow up.

Customer Experience

As you are all aware, modern management demands for good customer experience for members and customers to fully participate and enjoy quality products and services. For a long time, customer experience has remained a challenge in our SACCO. The Board and Management continues to implement and build capacity of the SACCO staff to deliver quality services. We are also developing a feedback mechanism that aims to address the perennial issues of poor customer experience, based on the feedback from our members. We look forward, to improvement in responding and addressing members' issues.

c) Institutional Capacity Adequacy

The Regulator expects every SACCO to maintain institutional capital/total assets of 8%. This is one of the ratios that we have not met. I wish to take this opportunity to advise all members to voluntarily increase their share capital beyond the minimum threshold of Kshs.50,000. It is possible to make monthly contributions or to make one-off payment to boost your personal share capital account. The SACCO is currently implementing the recovery of Kshs.1,000 per member from monthly contribution to share capital. However, I wish to appeal for more share contributions beyond the current capitalization process for the benefit of members and institution stability.

d) Member Education.

The Board places emphasis on education, training, and information to members as one of the key co-operative principals. During the year under review and the previous year, the SACCO did not carry out education and training to members due to the covid 19, protocols. The Board wishes to inform members that we shall have at least one education forum in the year 2022 and we will continue to implement the education and training programs to members in order to build their capacity and to receive feedback on areas that require clarifications and improvement. It is also a forum where members meet with the Board and Management to interact and receive advisory on SACCO operational services, personal financial management and wealth creation strategies.

e) Board and Supervisory Committee

During the year under review, the BoD/SC worked tirelessly to implement review of SP 2021-2025 and implementation of quick wins. The impressive results posted is the good work of the team. As a result of the outbreak of COVID-19 Pandemic in the

year, 2020, and the disruption arising therefrom, all the members of the Board and Supervisory Committee have served for three years or more and are now due for re-election. Apart from those who have opted to retire from the SACCO's leadership, the rest will be seeking re-election after they were re-elected at the grass-root level.

g) Conclusion

In conclusion, I wish to sincerely acknowledge and appreciate the role played by all the members through co-ordination and dissemination of information and uptake of our products and services. Your efforts in recruitment of new members is also appreciated and trust that you will double your efforts to bring more members to the SACCO. I also wish to sincerely thank the Board and Supervisory Committee for their dedication, commitment, and support during the year under review that yielded the positive results. I also extend my appreciation to the offices of the Commissioner for Co-operative Development, County Director of Co-operative – Nairobi and her team for their invaluable support and guidance. Finally, my appreciation to the Secretariat for the good services rendered to all our members and stakeholders. Thank you and May God bless you all. Long live Actionaid Sacco.

Our future is bright, and we remain focused on our vision and mission.

God bless you all.

Adera Musyula